

Spanish economic forecasts panel: November 2014¹

FUNCAS Economic Trends and Statistics Department

Growth forecasts for 2014 remain at 1.3%

According to provisional data, GDP grew 0.5% in the third quarter: one tenth of a point less than in the previous quarter. The breakdown of the figures has not yet been published, but the indicators for the period suggest a slowdown in consumer spending and equipment investments, an improvement in construction, and a deteriorating contribution from the external sector.

The consensus growth forecast for 2014 has not changed, but there has been a slight change in its composition: the estimated contribution of domestic demand has been increased by a tenth of a percentage point to 1.4 percentage points (pp), as a consequence of the upward revision of growth in investment and private and public consumption; this has been offset by a cut in the expected contribution of the external sector to -0.1 pp.

The forecast for 2015 is also unchanged

There has been no change in the forecast for 2015 GDP growth since the previous panel forecast, which estimated 2% growth, slightly exceeding international organisations' forecasts. There have been no changes in the composition of growth: the expected contribution of domestic demand remains 1.8 pp and that of the external sector 0.2 pp.

A further slowdown is expected in growth in the fourth quarter of the year, for which growth of 0.4% is estimated, although the growth rate is expected to pick up speed from the first quarter of 2015, with rates of 0.5% and 0.6% over the course of the year (Table 2).

Industrial activity slowed in the third quarter

The industrial production index fell by 2.1% in the third quarter in comparison with the previous quarter (on an annualised basis), despite which, it grew by 1.6% in the first nine months of the year compared with the same period the preceding year (its best performance since 2007). The consensus forecasts for this indicator's growth in 2014 and 2015 have been revised downwards to 1.8% and 2.4%, respectively.

Expected inflation has been revised downwards again

The inflation rate remains negative. On top of the year-on-year drops in food prices seen since April, there is now the impact of falling oil prices, which has resulted in a slight downward revision of the inflation forecast. The estimate for the average annual rate has been cut by one tenth of a percentage point for this year and the next, to 0% and 0.7%, respectively.

¹ The Spanish Economic Forecasts Panel is a survey run by FUNCAS which consults the 18 analysis departments listed in Table 1. The survey, which has been produced since 1999, is published bi-monthly in the first half of January, March, May, July, September and November. The responses to the survey are used to produce a "consensus" forecast, which is calculated as the arithmetic mean of the 18 individual contributions. The forecasts of the Spanish Government, the Bank of Spain, and the main international organisations are also included for comparison, but do not form part of the consensus forecast.

The year-on-year rate at the end of the year (Table 3) is estimated at 0% for December 2014 (two tenths lower than in the previous Panel) and 1.0% for December 2015 (unchanged from the previous consensus).

The employment forecast has improved

According to the Labour Force Survey, quarter-on-quarter employment growth moderated in the third quarter to 0.4%. The increase in the number of social security system affiliates also slowed during the period, while the data for October also point to a modest growth rate at the start of the last quarter of the year.

The forecast for employment growth in 2014 has been revised upwards by one tenth of a percentage point to 0.8% and unemployment has been revised downwards to 24.5%. The growth forecast for 2015 remains 1.5%, although the expected unemployment rate has been cut by two tenths to 23%.

The consensus estimates for GDP, employment and wage growth can be used to deduce the implicit productivity and unit labour cost (ULC) growth estimates. On this basis, productivity is expected to grow by 0.5% in 2014 and 0.4% in 2015, while ULCs, are expected to drop by 0.3% this year, with no change anticipated next year.

The upturn in demand has worsened the balance of payments

Thus, between January and August, the current account of the balance of payments posted a deficit of almost 4.6 billion euros, compared with a surplus of 8.7 billion euros in the same period the previous year. This worsening of the balance of payments is due to the deteriorating trade balance, resulting from an upturn in imports, driven by the recovery in consumption and investments in capital goods, rather than a drop in exports.

The consensus forecast for the current account balance is barely changed, after the sharp downward correction in the previous Panel forecast. For 2014, a surplus of 0.5% of GDP is expected, whereas the projected balance for 2015 is a surplus of 0.8% of GDP.

The government deficit will slightly overshoot the target

In the period to August, the combined deficit of the central government, the autonomous regions, and the social security fund was 4.3% of annual GDP, just three tenths of a point lower than that registered in the same period the previous year. The autonomous regions have performed the worst, with a deficit of 1% of GDP; two tenths of a percent higher than the same period the previous year, which means the limit set as a target for the year as a whole has been reached.

The consensus forecast for 2014 remains unchanged at 5.6% of GDP, although that for 2015 has improved by two tenths of a percent to 4.5%; in both cases the forecast is above the government's target (5.5% and 4.2% in 2014 and 2015, respectively).

The opinion on the situation in the EU has worsened

U.S. GDP has kept up its solid growth in the second and third quarters of the year, in contrast to the fragility of the eurozone, where the recovery has failed to gain traction. The emerging economies also continue to show signs of weakness.

Panellists' opinions on the current situation in the EU have gone from being neutral (the last five panel forecasts) to unfavourable (Table 4), while the context outside the EU continues to be considered neutral. No change is expected in either area in the next six months.

Long-term interest rates are considered to be too low

After the significant drops in August and September, the short-term interest rate (Three-month EURIBOR) has stabilised in recent weeks at 0.08%. As in previous panel forecasts, the rate is still felt to be too low, but is expected to remain stable over the coming months.

In the case of the long-term rate (ten years), after a slight upturn in mid-October in the wake of the turbulence caused by fears of a recession in the Eurozone, in subsequent weeks it has hovered around 2.1%. This is also felt to be very low, but is expected to remain stable over the coming months.

The euro is still overvalued

The euro-dollar exchange rate has been falling below 1.25. Although most of the panellists consider that the euro is still overvalued, the trend in recent months means that this majority has shrunk and an increasing number of participants think it is at an appropriate level. The majority believe that the depreciation will continue over the coming months.

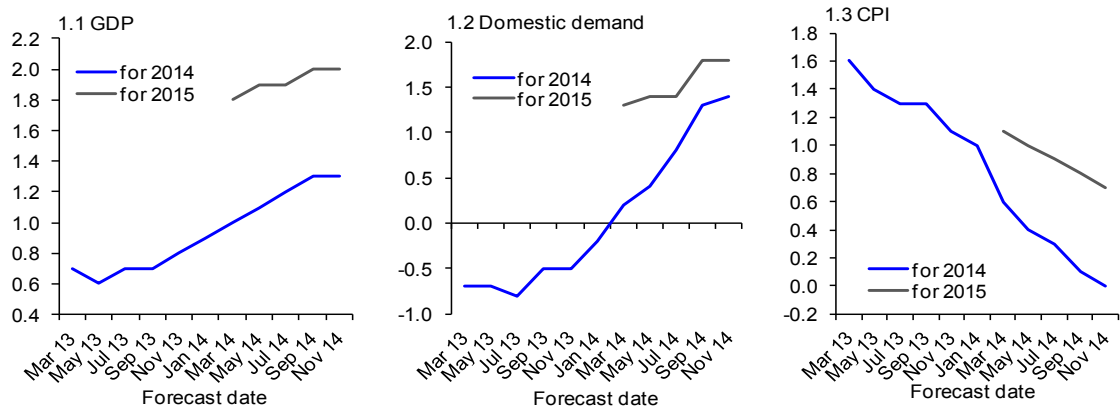
Fiscal policy should be neutral

As for fiscal policy, the majority continue to consider it restrictive, although most panellists think it should be neutral. Almost all the panellists classified current monetary policy as expansionary, and the unanimous view was that this stance should be maintained.

Exhibit 1

Change in forecasts (Consensus values)

Percentage annual change



Source: FUNCAS Panel of forecasts.

Table 1

Economic Forecasts for Spain – November 2014

Average year-on-year change, as a percentage, unless otherwise stated

	GDP		Household consumption		Public consumption		Gross fixed capital formation		GFCF machinery and capital goods		GFCF Construction		Domestic demand	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Analistas Financieros Internacionales (AFI)	1.3	1.9	2.1	1.5	0.6	0.6	0.6	3.0	8.5	6.0	-4.0	1.2	1.4	1.5
Banco Bilbao Vizcaya Argentaria (BBVA)	1.3	2.0	2.1	1.8	1.0	0.9	0.6	4.3	8.2	6.5	-3.9	2.9	1.6	2.0
Bankia	1.3	2.0	2.0	2.1	0.1	0.6	0.7	3.1	8.7	7.5	-4.2	0.4	1.3	2.0
CatalunyaCaixa	1.3	2.0	2.1	1.7	1.1	0.4	1.0	3.6	8.9	6.6	-3.8	0.8	1.6	1.8
Cemex	1.3	1.8	1.9	1.8	0.5	1.1	1.1	3.5	9.1	5.5	-4.0	1.0	1.4	1.8
Centro de Estudios Economía de Madrid (CEEM-URJC)	1.3	2.1	1.8	2.1	-0.3	0.2	0.9	4.4	6.6	7.2	-3.2	2.3	1.1	2.0
Centro de Predicción Económica (CEPREDE-UAM)	1.3	2.0	2.0	1.7	-0.1	-0.2	1.1	3.3	7.9	3.7	-3.2	2.7	1.5	1.6
CEOE	1.3	1.9	2.0	1.8	0.7	1.2	0.7	2.9	9.2	7.1	-4.4	0.0	1.5	1.8
ESADE	1.3	1.8	1.4	1.6	0.1	-1.0	1.2	4.2	7.5	6.6	-3.5	2.0	1.4	1.8
Fundación Cajas de Ahorros (FUNCAS)	1.3	2.2	2.1	2.6	0.2	-0.7	0.8	3.0	8.6	7.3	-4.0	-0.1	1.5	2.1
Instituto Complutense de Análisis Económico (ICAE-UCM)	1.3	1.9	1.8	2.0	0.1	0.0	1.0	3.3	8.2	7.1	-4.0	1.4	1.3	2.0
Instituto de Estudios Económicos (IEE)	1.4	1.9	1.7	1.9	-0.7	-0.2	1.2	3.6	7.9	7.3	-3.9	0.9	1.1	1.8
Instituto Flores de Lemus (IFL-UC3M)	1.1	1.9	2.2	2.9	-0.4	-2.0	0.2	2.0	8.1	6.6	-4.8	-0.9	1.2	1.7
Intermoney	1.3	2.2	2.1	2.1	-0.4	-0.3	0.3	2.8	8.2	6.5	-4.2	0.8	1.6	2.3
La Caixa	1.3	1.7	2.1	1.6	0.1	-1.6	0.8	4.1	9.1	7.4	-4.0	2.3	1.4	1.4
Repsol	1.3	2.0	2.0	1.6	1.0	0.4	1.1	3.2	8.6	8.2	-3.1	0.9	1.6	1.6
Santander	1.3	2.1	2.1	2.0	1.5	0.4	0.9	4.3	9.7	11.0	-4.1	1.1	1.8	2.1
Solchaga Recio & asociados	1.3	1.9	2.0	1.9	0.0	0.0	0.5	3.6	7.7	6.7	-3.5	1.8	1.3	1.8
CONSENSUS (AVERAGE)	1.3	2.0	2.0	1.9	0.3	0.0	0.8	3.5	8.4	6.9	-3.9	1.2	1.4	1.8
Maximum	1.4	2.2	2.2	2.9	1.5	1.2	1.2	4.4	9.7	11.0	-3.1	2.9	1.8	2.3
Minimum	1.1	1.7	1.4	1.5	-0.7	-2.0	0.2	2.0	6.6	3.7	-4.8	-0.9	1.1	1.4
Change on 2 months earlier ¹	0.0	0.0	0.1	0.0	0.3	0.0	0.1	0.1	0.2	-0.1	-0.3	0.2	0.1	0.0
- Rise ²	0.0	0.0	0.1	0.0	0.3	0.0	0.1	0.1	0.2	-0.1	-0.3	0.2	0.1	0.0
- Drop ²	2.0	6.0	0.0	2.0	2.0	2.0	3.0	6.0	3.0	5.0	2.0	4.0	0.0	3.0
Change on 6 months earlier ¹	0.2	0.1	0.8	0.4	2.2	0.4	0.5	0.7	2.9	1.0	-0.3	0.6	1.0	0.4
Memorandum items:														
Government (September 2014)	1.3	2.0	2.0	2.1	0.2	-1.0	--	--	7.0	6.0	-3.3	3.1	--	--
Bank of Spain (July 2014)	1.3	2.0	1.6	1.6	-0.8	-1.5	1.8	4.2	8,7 ⁽³⁾	7,7 ⁽³⁾	-3.2	1.7	--	--
EC (November 2014)	1.2	1.7	2.0	2.2	0.4	-1.4	1.1	4.2	8,8 ⁽³⁾	7,1 ⁽³⁾	-3.8	1.8	1.5	1.7
IMF (October 2014)	1.3	1.7	2.0	1.6	0.0	-0.7	--	--	--	--	-5.9	-0.3	1.3	1.2
OECD (November 2014)	1.3	1.7	--	--	--	--	--	--	--	--	--	--	--	--

¹ Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).

² Number of panelists revising their forecast upwards (or downwards) since two months earlier.

³ Investment in capital goods.

Table 1 (Continued)

Economic Forecasts for Spain – November 2014

Average year-on-year change, as a percentage, unless otherwise stated

	Exports goods & services		Imports goods & services		Industrial output		CPI (annual av.)		Labour costs ³		Jobs ⁴		Unempl. (% labour force)		C/A bal. payments (% of GDP) ⁵		Gen. gov. bal. (% of GDP) ⁷	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Analistas Financieros Internacionales (AFI)	3.5	5.4	4.3	4.7	--	--	-0.1	0.5	--	--	1.1	1.7	24.6	23.3	0.6	1.2	-5.5	-4.8
Banco Bilbao Vizcaya Argentaria (BBVA)	3.7	5.3	4.8	5.5	--	--	0.0	1.0	--	--	0.8	1.5	24.4	23.1	1.2	2.1	-5.5	-4.2
Bankia	4.7	5.5	5.2	6.0	1.8	2.2	0.0	0.7	0.4	0.8	0.7	1.4	24.6	23.5	0.1	0.5	--	--
CatalunyaCaixa	4.1	5.4	5.9	5.6	--	--	-0.1	0.6	--	--	0.9	1.4	24.4	23.0	--	--	--	--
Cemex	4.5	4.7	5.2	5.5	--	--	-0.1	0.8	--	--	0.9	1.5	24.4	23.0	0.0	0.0	-5.5	-4.2
Centro de Estudios Economía de Madrid (CEEM-URJC)	4.7	4.5	4.5	4.6	--	--	0.0	0.6	--	--	0.9	1.5	24.5	22.8	0.9	0.9	-5.6	-4.8
Centro de Predicción Económica (CEPREDE-UAM)	4.1	4.6	4.8	5.2	2.0	2.6	0.1	0.7	0.2	0.3	0.7	1.5	24.5	23.0	0.1	0.3	-6.1	-4.8
CEOE	4.1	4.8	5.0	4.8	1.5	1.5	0.0	0.6	0.3	0.4	0.8	1.9	24.5	22.4	-0.3	0.5	-5.5	-4.5
ESADE	4.4	5.0	5.0	5.2	--	--	0.0	0.8	0.3	0.5	0.8	1.4	24.5	23.0	1.9	2.0	-5.7	-4.2
Fundación Cajas de Ahorros (FUNCAS)	4.4	5.4	5.5	5.3	1.5	1.9	-0.1	0.4	0.2	0.5	0.7	1.5	24.5	22.5	0.0	0.0	-5.5	-4.6
Instituto Complutense de Análisis Económico (ICAE-UCM)	4.2	4.5	4.2	4.8	1.7	2.3	0.0	0.6	0.0	0.4	1.0	1.7	24.6	22.9	0.4	0.7	-5.6	-4.6
Instituto de Estudios Económicos (IEE)	4.7	5.4	4.2	5.2	--	--	0.1	0.5	0.1	0.4	0.7	1.5	24.5	23.0	0.7	1.0	-5.5	-4.3
Instituto Flores de Lemus (IFL-UC3M)	3.9	5.0	4.5	4.7	1.8	2.9	0.0	0.7	--	--	--	--	24.5	22.7	--	--	--	--
Intermoney	3.8	4.7	5.0	5.3	1.9	2.8	0.0	0.7	--	--	0.7	1.6	24.5	23.2	0.3	0.2	-5.8	-4.4
La Caixa	3.7	4.9	4.5	4.0	1.0	2.4	0.1	1.0	-0.1	0.5	1.0	1.4	24.5	23.1	0.3	0.8	-5.6	-4.2
Repsol	4.2	6.9	5.5	6.1	1.7	2.2	0.0	0.7	0.1	0.4	0.8	1.4	24.6	23.3	0.3	0.6	-5.5	-4.8
Santander	3.3	4.6	4.8	5.0	2.9	3.1	-0.1	0.4	0.0	0.3	0.6	1.7	24.2	23.0	1.2	1.3	-5.5	-4.2
Solchaga Recio & asociados	4.8	5.7	5.0	5.8	--	--	0.0	0.6	--	--	0.8	1.7	24.5	23.0	0.3	0.7	-5.8	-5.0
CONSENSUS (AVERAGE)	4.2	5.1	4.9	5.2	1.8	2.4	0.0	0.7	0.1	0.5	0.8	1.5	24.5	23.0	0.5	0.8	-5.6	-4.5
Maximum	4.8	6.9	5.9	6.1	2.9	3.1	0.1	1.0	0.4	0.8	1.1	1.9	24.6	23.5	1.9	2.1	-5.5	-4.2
Minimum	3.3	4.5	4.2	4.0	1.0	1.5	-0.1	0.4	-0.1	0.3	0.6	1.4	24.2	22.4	-0.3	0.0	-6.1	-5.0
Change on 2 months earlier ¹	-0.2	-0.5	0.2	-0.1	-0.3	-0.2	-0.1	-0.1	0.2	0.1	0.1	0.0	-0.1	-0.2	0.0	0.1	0.0	0.2
- Rise ²	2.0	2.0	6.0	5.0	1.0	3.0	0.0	1.0	2.0	2.0	6.0	5.0	0.0	0.0	4.0	5.0	4.0	5.0
- Drop ²	7.0	7.0	3.0	5.0	5.0	4.0	10.0	10.0	2.0	2.0	1.0	2.0	10.0	9.0	5.0	6.0	1.0	1.0
Change on 6 months earlier ¹	-1.1	-0.6	1.4	0.4	0.1	-0.4	-0.4	-0.3	0.0	-0.2	0.3	0.3	-0.5	-0.7	-0.9	-0.9	0.2	0.3
Memorandum items:																		
Government (September 2014)	3.6	5.2	4.4	5.0	--	--	--	--	0.8	1.0	0.7	1.4	24.7	22.9	0.9	1.1	-5.5	-4.2
Bank of Spain (July 2014)	4.6	5.9	4.7	4.5	--	--	0.1	0.7	--	--	0.4	1.4	--	--	1.3 ⁶	1.6 ⁶	--	--
EC (November 2014)	3.8	4.9	4.8	5.1	--	--	-0.1	0.5	0.5	0.9	0.7	1.1	24.8	23.5	0.5	0.7	-5.6	-4.6
IMF (October 2014)	4.1	5.5	4.2	4.5	--	--	0.0	0.6	--	--	0.6	0.8	24.6	23.5	0.1	0.4	-5.7	-4.7
OECD (November 2014)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

¹ Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).² Number of panelists revising their forecast upwards (or downwards) since two months earlier.³ Average earnings per full-time equivalent job.⁴ In National Accounts terms: full-time equivalent jobs.⁵ Current account balance, according to Bank of Spain estimates.⁶ Net lending position vis-à-vis rest of world.⁷ Excluding financial entities bail-out expenditures.

Table 2
Quarterly Forecasts - November 2014¹

	Quarter-on-quarter change (percentage)							
	14-Q1	14-Q2	14-Q3	14-Q4	15-Q1	15-Q2	15-Q3	15-Q4
GDP ²	0.4	0.6	0.5	0.4	0.5	0.5	0.6	0.6
Household consumption ²	0.5	0.7	0.4	0.4	0.5	0.5	0.5	0.5

¹ Average of forecasts by private institutions listed in Table 1.

² According to series corrected for seasonality and labour calendar.

Table 3
CPI Forecasts – November 2014¹

	Monthly change (%)				Year-on-year change (%)	
	Nov-14	Dec-14	Jan-14	Feb-14	Dec-14	Dec-15
	0.2	0.1	-0.5	0.0	0.0	1.0

¹ Average of forecasts by private institutions listed in Table 1.

Table 4
Opinions – November 2014

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	4	14	8	10	0
International context: Non-EU	4	11	3	8	10	0
	Low ¹	Normal ¹	High ¹	Increasing	Stable	Decreasing
Short-term interest rate ²	13	5	0	0	17	1
Long-term interest rate ³	11	6	1	0	14	4
	Overvalued ⁴	Normal ⁴	Undervalued ⁴	Appreciation	Stable	Depreciation
Euro/dollar exchange rate	11	6	1	0	4	14
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment ¹	12	6	0	6	9	3
Monetary policy assessment ¹	1	0	17	0	0	18

¹ In relation to the current state of the Spanish economy.

² Three-month Euribor.

³ Yield on Spanish 10-year public debt.

⁴ Relative to theoretical equilibrium rate.